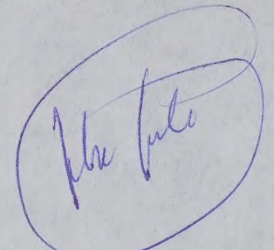


AR23

MACDONALD MINES LTD.

(NO PERSONAL LIABILITY)



Address all correspondence to
32 FRONT ST. WEST
TORONTO, CANADA
TELEPHONE 362-3848

STOCK EXCHANGE TOWER
SUITE 612, PLACE VICTORIA
MONTREAL 3, CANADA
TELEPHONE 678-2631

September 20, 1965

Dear Shareholder:

Since writing to you, your directors and I have busily engaged ourselves in the analysis of all of the affairs of your Company and we have made a careful study of all the records of the Company which date back to 1936, the year of incorporation. You will appreciate that it has been necessary for us to consider a large number of documents and we have been giving very careful consideration to a series of agreements which the Company entered into with Noranda Mines Limited. These agreements date back to the year 1950 and relate to property formerly registered in the name of your Company and subsequently registered in the name of West MacDonald Mines Limited. On this property, there is known to be located an ore body consisting of zinc and pyrite with some gold, silver and copper. This property was mined very profitably in the middle 1950's and we have every reason to think that it will be profitably mined again for the ultimate benefit of your Company whether in partnership with Noranda Mines Limited or wholly by your Company.


At the present time our solicitors are carefully considering the most recent agreements which were made with Noranda Mines Limited and we hope to be able to report to you in the not too distant future as to the results of their consideration and their opinion.

Your officers have taken the necessary steps to notify the Toronto Stock Exchange and Canadian Stock Exchange of changes which have taken place in the management and directorships of the Company and the filing statements required by each Exchange have been duly filed. You may be sure that every necessary step will be taken to maintain a proper working relationship with the two Stock Exchanges in order that the shares of MACDONALD MINES LIMITED may be traded in the most efficient manner.

We are proceeding presently to supply to the Quebec Securities Commission all information required by that body in order that your Company may be at all times properly qualified as required under the Quebec Securities Act. Your directors and I are most anxious that your Company be maintained in good standing at all times with all proper authorities and we are making every effort to see that this is done.

I am pleased to confirm that your Company has retained the services of Mr. John Campbell, a prominent engineer and geologist, who has been familiar with the affairs of MACDONALD MINES LIMITED for many years and who is particularly familiar with the geology of the area where property of MACDONALD MINES LIMITED is located. The property owned by MACDONALD MINES LIMITED consists of 1300 acres, and is not to be confused with our 50% interest in the property of West MacDonald Mines Limited, which consists of 940 acres and adjoins MACDONALD MINES LIMITED on the west.

We have ascertained that MACDONALD MINES LIMITED has a five-year option on property consisting of 1200 acres owned by Tromac Mines Limited lying immediately to the north of, and adjacent to, the property of MACDONALD MINES LIMITED. This option gives your Company the right to explore and develop the property of Tromac Mines Limited, a company in the capital stock of which your Company holds a substantial number of shares and if warranted, to cause a new company to be incorporated to acquire the property of Tromac Mines Limited in which new company MACDONALD MINES LIMITED will have a substantial and perhaps controlling interest.



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https://archive.org/details/Macd1235_1965

There has been made available to us records of all exploration work done in the past on these properties and Mr. Campbell is presently considering this material. It is his view that the property which is owned by MACDONALD MINES LIMITED has very interesting geology and this property and that of Tromac Mines Limited warrant further exploration with a view to the possible development of these properties, and in this connection our Company has had the helpful advice of Duncan Crone, consulting geophysicist.

You are well aware that the properties of MACDONALD MINES LIMITED and Tromac Mines Limited are situated in the Rouyn-Noranda area of Quebec in which area there have been discovered over recent years substantial numbers of important ore bodies. Preparations are now under way for the examination of two gold showings one on the Macdonald Mines Limited property and the other on the Tromac Mines Limited property and a copper occurrence situated on the boundary of the two properties is being re-examined.

Mr. Campbell and Mr. G. Gallen, your Secretary-Treasurer and Managing Director, have visited the properties referred to and have made the necessary arrangements to initiate a geological and geophysical survey. Line cutting has already commenced on the property and a geophysical survey comprising magnetometer and electromagnetic surveys are being conducted on the property, as recommended by Mr. Campbell and Mr. Crone, with a view to locating the most advantageous locations for diamond drilling. Mr. Campbell, our engineer, will personally supervise stripping of the overburden on various portions of the property and will conduct the trenching work which will assist in the location of veins of mineral deposits near the surface of the property and which will, in turn, as well assist in the location of the most advantageous locations for diamond drilling. The trenching that will commence on the MacDonald and Tromac properties will be done in the vicinity of a strong north-west striking fault zone which goes through both properties. This fault zone parallels an Andesite, Rhyolite contact.

After the above preliminary exploration work has been done, it is planned to notify the shareholders of the results obtained and it is expected that plans will be made at that time to commence a diamond drilling program on the properties.

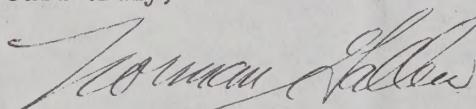
Your Company holds nine forty-acre claims in Loveland Township, Ontario in the Timmins area not far from the recent enormously exciting mineral find of Texas Gulf Sulphur Mines Limited. It is anticipated that an exploration program will be undertaken in respect of these claims in the not too distant future and you will be kept advised of any plans which are made in this regard. Several prominent companies are at present actively doing exploration work adjacent to our properties. All necessary steps have been taken to insure that these claims remain in good standing and steps are under way at the present time to have the claims transferred into the name of MACDONALD MINES LIMITED.

In addition to all of the above, your Company is a very substantial shareholder of Don-X Mines Limited, Gubby Mines Limited and Cyprus Mines Limited, which companies own or control properties in the immediate vicinity of the main property of your Company in the Rouyn-Noranda area and your directors are considering the future exploration and development of these properties as well.

It is most important that all shareholders of MACDONALD MINES LIMITED have in their possession the proper share certificates representing the correct number of shares owned by each shareholder. Shareholders should check their certificates to make sure that their name appears on the certificate, with the correct number of shares that they own. If any shares owned by our shareholders are not in their proper names, it would be advisable to send it to our new transfer agent, now Crown Trust Company, Toronto or Montreal, through your own bank, to be registered in your name. To this end, I would again urge all shareholders of the Company to press for delivery of the share certificates to which they are entitled and to make sure that these share certificates are registered in their respective names. Only registered shareholders will receive reports of further developments.

You may rest assured that every effort will be expended to advance the best interests of your Company and its shareholders and it will be our continued policy to make available to all registered shareholders of the Company all information and news just as soon as it becomes available.

Yours truly,



President.

**SHAREHOLDERS' COMMITTEE FOR BETTER MANAGEMENT OF
MACDONALD MINES LTD.** (No Personal Liability)

340 MYRTLE AVE., BROOKLYN, N. Y.

UL 2-5272

Dear Fellow Stockholder:

On March 8th, 1965, the present management of your Company mailed a letter to all their stockholders. President Carlton Street in that letter stated "that the Company still owns or has an interest in ... properties which **contain important quantities of ore.**"

Dr. Street complains in his letter about the communications which you have been receiving from **our group, "Shareholders Committee for Better Management of MacDonald Mines Ltd."** We admit that we have sent out many "communications." We own **500,000** shares of stock in this company and have proxies in excess of half of issued stock of the company. We believe that the resources listed in the Company's letter of March 8th have **great potential** but we do not believe that the present management should be entrusted with the development of these assets in view of their dismal record of **non-accomplishment** these last 25 years.

We are advised at this time by our legal staff, both in **New York** and in **Montreal**, that we have successfully overcome the efforts of management to block us and that there are now no further obstacles to our progress towards the holding of the Annual Meeting for the election of the Board of Directors during June 1965.

We assure you that when your committee assumes control of the Company, we will exert every effort to develop all the resources of MacDonald Mines Ltd. and its holdings. We further promise that we will go deeply into the entire West MacDonald situation. You may rest assured that we propose to let sunshine and fresh air into all of the operations of the Company and finally we intend to operate the Company for the best interests of the stockholders.

We **urge** you not to sign any proxies which the present management will send you.

In order to **replace** the present management we need your support either by your **personal attendance** at the annual meeting or by sending us your proxy if you have not already done so.

Please remember that only **registered** stockholders can vote. If you have not registered all your stock in your own name, please do so immediately.

Very truly yours,

NORMAN GALLEN, Chairman

Shareholders Committee for Better Management of MacDonald Mines Ltd.

AR23

Handwritten signature



ANNUAL REPORT

MACDONALD MINES LIMITED

FOR THE YEAR

1965

MACDONALD MINES LIMITED

Head Office — Suite 612, Place Victoria, Montreal 3, Canada

Toronto Office — Suite 320, 32 Front Street West, Toronto, Ontario

DIRECTORS

NORMAN GALLEN, New York, N.Y.
JOHN J. GUSSAK, New York, N.Y.
GILBERT GALLEN, Toronto, Ont.
THEODORE GUSSAK, New York, N.Y.
MARVIN ROSS, Toronto, Ont.
JOHN AYSIES, Swampscott, Mass.
JONATHAN ROBINSON, Montreal P.Q.

OFFICERS

NORMAN GALLEN, President
JOHN J. GUSSAK, Vice-President
GILBERT GALLEN, Secretary-Treasurer

REGISTRAR AND
TRANSFER AGENT

Crown Trust Company,
Toronto, Ontario — Montreal, Quebec

SHARES LISTED

Toronto Stock Exchange
Canadian Stock Exchange

The President Reports to the Shareholders:

During the past year your Company has continued to enjoy the strong momentum generated by your new directors. The gaining by your Company of its Exemption from the 15% U.S. Interest Equalization Tax was a very great saving to the American Stockholders of many taxable dollars.

Your Company Directors have just staked 137 claims, consisting of 40 acres each, which totals approximately 5480 acres, in the Bernhardt Township, Kirkland Lake area of Ontario. These claims are 8 miles north of Kirkland Lake, a well known mining centre, in Canada.

Macdonald Mines Ltd. holds a 75½ % interest in these claims.

A further report to the Shareholders will be made about this new acquisition.

The property of Macdonald Mines Ltd., in Loveland Township in Timmins, Ontario, not far from the tremendous Texas Gulf Sulphur Mines, has been going along according to the surveys outlined by your Mining Engineer, Mr. John Campbell.

The successful take-over, by the directors of Macdonald Mines Ltd., of the management and affairs of Tromac Mines Ltd., comprising an area of about 1400 acres, not far from the gigantic Lake Dufault Mines Ltd., and the completion, if successful, of the Proxy Contest against Gubby Mines Ltd., Cyprus Mines Ltd. and Don-X mines Ltd., would give a total of approximately 7700 acres in the Noranda-Quebec area, not far from the fabulous Noranda Mines which is shown on your map.

With the increasing demand for Zinc and Iron Pyrites, the officials of your company have had meetings and discussions with officials of the Noranda Mines Ltd. for the resumption of production of our jointly owned property, West Macdonald Mines Ltd., in which Macdonald Mines Ltd. owns a 49% interest and Noranda Mines owns the remaining 51%. It is estimated that there are approximately 4,000,000 tons of ore, comprising mainly Zinc and Iron Pyrites and traces of Copper, Gold and Silver.

Your company's directors will continue to work for the best interest of the company and the shareholders in the coming year.

Respectfully submitted on behalf of the Board of Directors:

NORMAN GALLEN,
President.

June 18, 1966.

MACDONALD

(No Personal Liability)

(Incorporated under the Companies Act)

BALANCE SHEET**AS AT DECEMBER 31, 1965**

ASSETS***Current Assets***

Cash	\$ 14,169
Prepaid expenses and deposits	2,007
Term deposit and accrued interest	102,738
	<hr/> 118,914

Investments In and Advances To Non-Producing Mining Companies (Note A)

Shares	\$ 27,660
Advances	48,492
	<hr/> 76,152
<i>Mining Properties (at cost) (Note B)</i>	15,982

Deferred Costs

Development and other expenditures (Exhibit B)	565,824
Office equipment	6,111
	<hr/> 571,935
	<hr/> \$782,983

See Notes to Financial Statements (Exhibit D)

Approved on behalf of the Board of Directors:

Gilbert Gallen, Director

AUDITOR'S REPORT

To the Shareholders of
MacDonald Mines Ltd. (No Personal Liability):

We have examined the Balance Sheet of MacDonald Mines Ltd. and the accompanying Statement of Development and Other Expenditures for the year ended December 31, 1965. We have also included a general review of the accounting procedures and systems used, insofar as they affect the financial statements, and we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet and Statement of Development and Other Expenditures present fairly the financial position of the Company as at December 31, 1965, and the results of its operations for the year ended, in accordance with generally accepted accounting principles.

Our examination also included the accompanying Statement of Cash Flows when considered in relation to the aforementioned financial statements of the Company for the year ended December 31, 1965.

Toronto, Canada,
January 18, 1966.

NES LIMITED

(Liability)

(Mining Companies Act)

SHEET

ER 31, 1965

LIABILITIES

<i>Accounts Payable</i>	\$ 636
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SHAREHOLDERS' EQUITY*Capital Stock*

Authorized — 5,000,000 shares, par value \$1
per share

Issued — 4,812,921 shares (Note C)	4,812,921
Less: Discount on shares	2,884,730

1,928,191

<i>Deficit</i> (no change during year)	1,145,844
----------------------------------------------	-----------

782,347

\$782,983

.....
Marvin Ross, Director

REPORT

d. (No Personal Liability) as at December 31, 1965, and the
with notes thereto, for the year then ended. Our examination
tests of accounting records and other supporting evidence as

of Development and Other Expenditures, with notes thereto,
er 31, 1965, and the results of its operations for the year then
s applied on a basis consistent with that of the preceding

of Source and Application of Funds which, in our opinion,
ents, presents fairly the sources and applications of funds

HORWATH & HORWATH, G. C. SMITH & CO.
Chartered Accountants

MACDONALD MINES LIMITED
 (No Personal Liability)
**STATEMENT OF DEVELOPMENT AND OTHER
 EXPENDITURES**

FOR THE YEAR ENDED DECEMBER 31, 1965

	Expenditures for the Year	Total to December 31, 1965
<i>Exploration and Development</i>		
Diamond drilling		\$135,248
Surface expenses		29,718
Supervision		2,000
Mining licenses and fees	\$ 277	12,578
Transportation	1,328	4,893
Assaying		3,765
General		1,060
Consulting engineers' fees	2,260	18,374
Geophysical survey	3,934	18,474
Insurance		2,023
Mine office salaries and expenses		27,244
Outside exploration		8,870
Loss on sale of machinery and equipment		36,228
Workmen's compensation	208	5,803
	<u>8,007</u>	<u>306,278</u>
<i>Administrative</i>		
Transfer agent fees	6,321	31,360
Office expenses	3,707	31,501
Professional fees	12,535	29,710
Promotional	1,245	4,526
Salaries	5,722	126,370
Office rent	2,044	25,737
Business taxes	15	6,136
Travelling	1,935	19,195
Stock listing and registering	1,508	7,015
Insurance	45	3,645
Annual meeting expense	852	10,782
Director's fees and expenses	250	7,913
General	900	13,566
Loss on sale of office equipment		3,362
Commission on sale of stock		12,590
	<u>37,077</u>	<u>333,408</u>
Interest received	6,264*	22,262*
Administration charged others		51,600*
	<u>30,813</u>	<u>259,546</u>
<i>Total</i>	<u><u>\$38,819</u></u>	<u><u>\$565,824</u></u>

*Denotes deduction

See Notes to Financial Statements (Exhibit D)

MACDONALD MINES LIMITED

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1965

The Company Derived Working Capital from:

Sale of capital stock	\$ 6,600
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The Company Used its Funds for:

Development and other expenditures (Exhibit A)	\$ 38,819
Advance to non-producing mining companies	605
Office equipment purchased	180
	<u>39,604</u>

<i>Decrease in Working Capital</i>	<u>\$33,004</u>
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Working capital, December 31, 1964	151,282
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Working capital, December 31, 1965	118,278
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<i>Working Capital Decrease</i>	<u>\$ 33,004</u>
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See Notes to Financial Statements (Exhibit D)

MACDONALD MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1965

Note A — The investments in non-producing mines represent shares in and advances to mining companies whose principal assets are properties held for development and which have not reached production. There are no regularly quoted market values for such shares, which in any case, are held by the Company as long-term investments. The shares are stated at cost less \$222,870 written off. The advances to these companies are shown at their full face value, are non-current, and their collectibility is uncertain.

Note B — Mining properties:

Lots, comprising approximately thirteen hundred acres, located in the Township of Dufresnoy, Quebec, held under two mining concessions	\$ 5,982
Nine mining claims held under development licences in Loveland Township, Ontario	10,000
	<u>\$15,982</u>

Note C — On February 22, 1962, the Directors granted an option to an employee to purchase 30,000 shares of capital stock of the Company at twenty-two cents a share exercisable on or before February 22, 1967. This option was exercised on July 5, 1965.

Note D — By agreement dated July 16, 1964, the Company is committed to spend \$10,000 over the next five years in exploring the mining properties of Tromac Mines Ltd. Within that period and after fulfilling its commitment, the Company may direct that the assets of Tromac be transferred to a new company, incorporated for the purpose, with the Company to receive stock at the rate of ten cents a share for all monies expended and the shareholders of Tromac to receive one share for every eight shares of Tromac.

Note E — On July 23, 1965, the Directors granted an option to Mr. J. Campbell, our mining engineer to purchase 10,000 shares of capital stock of the Company at twenty-five cents a share, exercisable on or before January 23, 1967. This is the only option on stocks given.

